26 February 2020
ASX code: BOL

Boom Logistics Limited
H1 FY20 results

- **Trading revenue up 3% to $95.2 million**
- **Trading EBITDA (pre AASB16) $7.2 million**
- **Trading EBITDA (statutory) $14.9 million**
- **Free cash flow $11.0 million, up from $4.7 million**
- **Net debt down $9.3 million to $27.3 million**
- **46 million share buy back completed**
- **Interim dividend 0.5 cents per share**

** All figures compare H1 FY20 to H1 FY19 and pre AASB16 unless otherwise indicated.*

Boom Logistics Limited (ASX:BOL) today announced underlying (like-for-like) trading earnings before interest, tax depreciation and amortisation (EBITDA) of $7.2 million for the half year ended 31 December 2019 (H1 FY19: $12.0 million), before adjustment for the impact of the AASB16 leases accounting standard. On a statutory basis, trading EBITDA was $14.9 million.

Trading revenue increased to $95.2 million, up 3% from $92.5 million, as the group's strategy to broaden revenue streams continued. Free cash flow was strong and the company reduced debt during the half by $9.3 million to $27.3 million.

Following completion of the 46 million share buyback, and in light of the company's strong cash flow, the Board has resolved to pay the group's first interim dividend for more than a decade. An unfranked interim dividend of 0.5 cents per share will be paid on 21 April 2020 to shareholders on the register at 31 March 2020.

As advised in the market update on 13 November 2019, the company expects a stronger second half and underlying trading EBITDA of approximately $20 million for FY20. The impact of recent events relating to the coronavirus remains uncertain and this forecast assumes no supply chain disruptions or delays to projects. The company will update the market should there be any material changes.

Tony Spassopoulos, Boom Logistics managing director, said: "Our first half EBITDA result was impacted by material changes to a wind farm project in Tasmania, reduced mining maintenance work in New South Wales, and decreased scope of shutdown programs in Western Australia.

"At the wind farm in Tasmania, unseasonably heavy snow and adverse weather conditions contributed to schedule delays, lower productivity and increased project costs. Additional nightshift crews were needed to complete the revised program at significant extra cost.

"While this was a challenging first half, the company made substantial progress on the Coopers Gap wind farm project, receiving further work. Mining maintenance activity in Queensland increased and continues to perform strongly. The restructured travel towers business delivered improved results across the telecommunications and energy sectors.

"We are also pleased to announce the renewal of a three-year mining and maintenance contract, with revenue of circa $40 million in Queensland and New South Wales, after balance date."

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The group has reported results on a statutory basis, providing details of AASB16 impacts and underlying results in the table below:

Results summary for six months to	**31 Dec 19 Statutory**	**AASB16 impact**	**31 Dec 19 Pre AASB16**	**31 Dec 18**
Revenue ($m)	94.9	0.3	95.2	92.5
Gross profit ($m)	27.7	(5.1)	22.6	28.1
Trading EBITDA ($m)	14.9	(7.7)	7.2	12.0
Statutory EBITDA ($m)	12.0	(7.6)	4.4	10.4
Depreciation and amortisation ($m)	(15.5)	7.3	(8.2)	(8.3)
Net profit after tax ($m)	**(5.8)**	**0.4**	**(5.4)**	**0.2**

The group's increased use of a rental asset model and implementation of the AASB16 leases accounting standard significantly affect comparisons of gross profit and EBITDA. Operating leases have been brought onto the balance sheet for the first time. Assets and liabilities for all leases with a term of more than 12 months have been measured, and a lease liability and a corresponding right-of-use asset included. Further details are available in the company's financial report lodged today on the ASX.

Operations

Energy and utilities

Following delays and changes to the wind farm contract in Tasmania, which will now complete in March 2020, trading revenue reduced by approximately $5 million as the contract's scope was changed from 48 to 28 towers and work was shared with another contractor. While the company remains in negotiation with the contract owner, a provision of $2.3 million related to costs that may be incurred in the second half is included in the result.

The Queensland wind farm project progressed well. The group was awarded additional work at Coopers Gap through to April 2020 and has secured further wind farm maintenance works with other existing customers.

Mining maintenance

Maintenance activity on metallurgical coal mines in Queensland was strong and above expectations. In NSW, revenue was lower as clients reduced maintenance in response to lower thermal coal export prices. Rebuilding of relationships after the industrial dispute has progressed more slowly than expected although work with a major new customer commenced in the Hunter Valley. New rented assets are in place at Olympic Dam and the company is redeploying the surplus assets to serve the growing mining maintenance market in central Queensland.

In Western Australia, large customers implemented cost reduction programs and shutdowns were smaller than in previous periods. The company has appointed a new general manager who has improved trading performance in the second quarter. The company is developing customer relationships and targeting new growth construction project opportunities in north-west WA.

Infrastructure

The company is targeting the burgeoning infrastructure sector for growth, focused on the east coast of Australia where there is a strong pipeline of infrastructure, rail and major engineering construction projects over the next three years. Work commenced on the Albion Park Rail bypass project in October 2019, where the company will provide lifting services for the construction of 13 bridges over the next two years. A new 750 tonne crane has been delivered in Melbourne, where it is being utilised on infrastructure projects and wind farm maintenance.

Industrial maintenance

The group continues to focus on the oil and gas, mining and infrastructure sectors. During the half a new general manager was appointed to lead the readi labour hire business, targeting growth opportunities. The readi business received several small new contracts and revenue is growing.

Telecommunications

Following the successful restructure of the travel towers business with reduced depot overheads, telecommunications sector work increased with 5G and data network upgrades continuing in metro areas. The business has a solid pipeline of work for the rest of the financial year. Electrical transmission line projects, stringing lines to power poles which connect power to the energy grid, are increasing.

Balance sheet and cash flow

Free cash flow was $11.0 million on a like-for like basis, up from $4.7 million. On a statutory basis, operating cash flow was very strong at $15.6 million, reflecting improved cash performance. Operating cash conversion before tax was 71% of trading EBITDA. Boom Logistics' rental asset model has reduced capital expenditure and, having paid back debt, the company benefited from lower interest costs.

The company made asset purchases in the first half of $0.8 million, with a further $0.7 million paid related to additions in prior periods.

Share buyback

The on-market share buyback announced on 21 November 2018 concluded on 27 November 2019, when 46 million shares had been purchased for a consideration of $7.5 million. The share buy back was funded from free cash flow, and included $1.7 million spent in the first half. The Board will consider further share buyback and other capital management initiatives during the next 12 months.

Outlook

Tony Spassopoulos continued: "We have a clear strategy to drive growth and are well positioned in the key markets that we serve. With a growing pipeline of wind farm projects, mining contracts and infrastructure work, we expect a stronger second half with increased revenue and profitability.

"We continue to relocate assets to increase margins, utilisation and labour productivity. Capital expenditure is assessed continually to ensure appropriate returns.

“The group is in the final stages of negotiation on a significant new wind farm contract expected to commence toward the end of the second half. We continue to target the renewables sector for growth and are refining our ‘bundled services’ model for wind farm project services.

“The company returns to Moranbah in Queensland in the second half, where it has a history of serving mining businesses in the area. Operations in Western Australia, where the company has growth opportunities in the north-west, are progressing satisfactorily.

“The travel towers business has achieved higher utilisation of larger assets. We expect that growth will continue as 5G rollouts progress, and we have new opportunities for high-voltage transmission line works in Western Australia.

“We are selling specialised labour services which provide an important new revenue stream for the group. We have commenced evaluating opportunities to provide new diversified services aligned to our current customers’ growth plans in the mining engineering, mining maintenance and shutdown sectors. These services offer expansion potential for the company.”

Further information:

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